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European Review

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**European Review**

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**Economic News in Brief**

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*Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as uncoordinated views. Comments may be directed to the authors,*

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**Briefs****West Germany****Easing Labor Market Rigidity**

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West Germany recent enacted legislation that will help to make the domestic lab or market more flexible. The new law reduces limitations on the use of job sharing and part-time work and relaxes somewhat the requirement that firms planning layoffs draw up compensation plans for the personnel to be dismissed. New firms, for example, will be exempt. The legislation, however, is weakened by provisions that tighten restrictions on layoffs of construction workers and make it easier for workers to obtain free visits to health spas. A companion bill, which is expected to be approved by the Bundestag, will lift some limitations on the employment of women and teenagers and widen employer discretion in setting working hours.

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Despite these generally positive moves, achieving further progress on freeing up the labor market will be a difficult process. The Free Democratic Party, for example, recently proposed that unemployed workers be allowed to work in union jobs for about 80 percent of the negotiated wage level. The proposal was lambasted not only by the opposition and labor as an intrusion on free collective bargaining, but even by some employers more concerned with maintaining labor peace.

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**United Kingdom****Planning Small Cuts in Social Welfare**

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The Thatcher government is preparing to release a green paper within the next few weeks outlining recommendations for reducing welfare spending—measures that will save relatively little in the short run, but promise to impact more favorably in later years. According to the US Embassy in London, there is Cabinet consensus on eliminating maternity and death benefits as well as Christmas bonuses paid to the elderly, and raising the eligibility threshold for housing allowances. The most controversial issue is a proposal to phase out the State Earnings-Related Pension Scheme (SERPS), a heavily subsidized program created by the Labor Government in 1978 to supplement the flat-rate universal pension. The government estimates that expenditures for SERPS, although small at present, will escalate dramatically by the late 1990s as an increasing number of pensioners qualify for benefits.

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London has not yet divulged the details of its alternative to SERPS, but it almost certainly will call for the expansion of private-sector pension plans. Reductions in welfare expenditures will undoubtedly cost Thatcher popular support and will provide the Labor Party and the Social Democratic-Liberal Alliance with specific issues on which to focus criticism. The Prime Minister may think that making the change well before the next national election, due by June 1988, will minimize the political damage. It would, however, show that her government is still committed to major reform.

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**Secret****Portugal****UGT Wins Crucial Election** 

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In the most important test of strength between Communist and democratic trade unions in recent years, the Socialist/Social Democratic trade union, the UGT, won a landslide victory in a hotly contested election in the Southern Bankworkers Union. At stake in the union, one of Portugal's oldest, largest, and wealthiest, was control of its governing body and financial resources, and also its possible reaffiliation with the Communist-dominated union, the CGTP-IN. In the previous election in 1982, voter apathy and disunity in democratic ranks allowed the Communists to increase their share of the vote.

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The defeat may have a damaging effect on the CGTP, which earlier this year lost votes to the UGT in a major shipyard election and has watched the UGT shape its agricultural workers' union into the largest in the country. Conversely, the UGT's victory should strengthen its ability to continue its policy of dialogue with government and management and its nondisruptive opposition to policies that threaten its interests, such as labor law reform. The election also shows that, at least among white-collar voters, there is a continued willingness to support the governing parties despite economic stagnation and austerity-induced sacrifices.

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## Articles

### Western Europe: Preliminary Data on SDI

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Results from early polls suggest that many West Europeans approve the concept of strategic defense, but significant numbers are undecided or unaware of the issue. If elite criticism of Strategic Defense Initiative (SDI) grows over the next several months, public opinion will turn more negative. On the other hand, governments favorable toward SDI will have the opportunity to mold a broader positive reaction.

#### Initial Impressions

The US Strategic Defense Initiative has become a major issue in West European diplomatic discussion and press commentary, but a USIA poll taken in February and March indicated that significant portions of the publics were unaware or underinformed.

Outside of Denmark, pluralities thought that the development of a strategic defense system is a good idea. We judge that the concept of strategic defense currently generates a sympathetic public response. A Gallup poll taken in February indicated that 53 percent of British respondents disagreed (only 25 percent agreed) with the notion that the threat to blow up Soviet cities is a surer way to prevent Moscow from starting a war than having new weapons in space. A 48-percent plurality, however, doubted that SDI would make them "safer."

#### Italian and Danish Opposition

The relatively high negative response in *Italy* suggests that—as on INF—the Italian public is less supportive of US or NATO policies than other larger Allied publics. Italians, more than other surveyed West Europeans, are inclined to believe that SDI:

- Decreases West European security.
- Accelerates the arms race.
- Increases the risk of war.

### Trust in US Defense Pledge

(February 1985) "If the US deploys an effective defense against nuclear missiles, do you think they would still come to the defense of (survey country) in case of a Soviet attack or do you think they would not come to our defense?"  25X1

(May/June 1984) "If the Soviet Union were to attack Western Europe, how much confidence do you have that the US would do whatever is necessary to defend (survey country) even if this would risk the destruction of US cities—a great deal, a fair amount, not very much, or none at all?"  25X1

Percent 25X1

	United Kingdom		West Germany		Italy	
	1984	1985	1984	1985	1984	1985
US would defend	52	58	27	48	58	57
US would not defend	43	24	63	20	39	28
Don't know	4	17	9	32	3	15

  

	Belgium		Netherlands		Denmark	
	1984	1985	1984	1985	1984	1985
US would defend	46	51	41	59	45	46
US would not defend	43	24	42	14	43	25
Don't know	12	25	17	27	12	29

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Source: USIA poll

**Secret****Table 1***Percent***Awareness of SDI <sup>a</sup>**

	United Kingdom	West Germany	Italy	Belgium	Netherlands	Denmark
Great deal/ fair amount	46	33	50	39	29	50
Not very much/ nothing at all	51	54	49	53	57	41

<sup>a</sup> Figures may not add to 100 due to rounding.

Source: USIA poll

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**Table 2***Percent***Opinion of US SDI Development**

	United Kingdom	West Germany	Italy	Belgium	Netherlands	Denmark
A good idea	51	48	43	46	32	27
A bad idea	25	23	36	24	28	36
Neither good nor bad (volunteered)	12		14		13	12
Don't know	12	30	7	30	27	25

Source: USIA poll

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We note that fewer Italians than other West Europeans have no opinion.

We believe that—as on INF—the position of the Italian Communist Party (PCI) will be an important factor in determining the seriousness of Italian public opposition to SDI. PCI officials disapproved of Soviet as much as US INF policy, and their relatively lukewarm opposition contributed significantly to Rome's ability to carry through on its deployment commitment against the opinions of a majority of Italians.<sup>1</sup> (C NF)

<sup>1</sup> USIA reported in June 1984 that 66 percent of Italian respondents—the highest total in Western Europe—either opposed or strongly opposed deployment.

There is evidence that the Italian Communists may take a similar line toward SDI. The US Embassy in Rome reported in January that some party officials were impressed with US arguments supporting the program. A series of articles in the party daily *L'Unita*, while clearly critical of the program, presented both sides of the issue in a relatively objective manner.

A Yomiuri-Gallup poll in March also suggested that Allied publics have not yet made up their minds about SDI—at least regarding its effect on the risk of nuclear war. This poll provided an initial look at Japanese and French attitudes. British respondents to this survey were more negative toward SDI than those reflected in the USIA data.

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**Table 3**  
**Perceived Effects of SDI Development**

*Percent*

	United Kingdom	West Germany	Italy	Belgium	Netherlands	Denmark
<b>On West European security</b>						
Increases security	46	39	37	40	33	26
Decreases security	28	22	44	32	30	27
Undecided	26	39	19	27	37	47
<b>On chances for arms control agreement</b>						
Increases chances	31	35	30	37	22	15
Accelerates the arms race	44	35	56	32	41	49
Undecided	25	31	14	31	37	36
<b>On risk of nuclear war</b>						
Decreases risk	26	27	25	28	17	17
Increases risk	22	20	43	22	23	24
Makes no difference	41	31	23	31	36	31
Undecided	11	22	9	18	24	28

Source: USIA poll

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**Table 4**  
**Attitudes Toward SDI**

*Percent*

	United Kingdom	West Germany	France	Japan
Reduce chance of nuclear war (Japan agrees with SDI)	20	25	21	11
Increase chance of nuclear war (Japan opposes SDI)	27	22	13	23
Don't know if good or bad (Japan cannot answer)	32	25	31	31
Know little, don't know	21	28	35	35

Source: Yomiuri-Gallup poll

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**Table 5** *Percent*  
**SDI: Needed Deterrent or Bargaining Chip**

	United Kingdom	West Germany	Italy	Belgium	Netherlands	Denmark
SDI should not be given up	32	31	18	28	18	14
SDI is important primarily as a bargaining chip	47	39	61	31	46	38
Don't know	21	31	21	41	36	47

Source: USIA poll

Also in contrast to the USIA findings, a recent Gallup poll in *Denmark* showed 40 percent against SDI, 38 percent for it, and 22 percent undecided. The questioner asked respondents to assume that the Soviets have embarked on their own strategic defense research program. According to Gallup, opposition to SDI was stronger among Social Democrats (70 percent) than those describing themselves politically as even farther left (40 percent). Fifty-two percent of those "to the right of the Social Democrats" supported SDI. We believe these data reflect the strong opposition to SDI exhibited by Danish Social Democratic leaders and suggest that public opinion on this relatively new issue is susceptible to manipulation by political elites. [redacted]

#### Decoupling

The USIA poll indicates that West Europeans may not yet share their governments' expressed concerns that SDI could decouple US and West European security. Although the wording was different, more respondents in 1985 seemed to support the idea that Washington would come to their aid than those responding to a 1984 question that did not include SDI in the equation. It should be noted that in 1985 the pollster removed from the question the concept that US defense of Western Europe could risk destruction of US cities. [redacted]

As a counterpoint to the USIA information, 58 percent of British respondents to a recent Gallup poll believed that SDI would protect only the United States from a Soviet strategic strike—23 percent believed that SDI is meant to defend both Western

Europe and the United States. A 43-percent plurality doubted that "it will ever be possible to defend against a nuclear attack by such means," but—by a 40- to 30-percent margin, the same people disagreed that the plan "can never be made to work." [redacted]

#### Arms Control

The same USIA respondents who believed that SDI development could strengthen US inclination to defend Western Europe also preferred that SDI be a bargaining chip rather than an untouchable military development program. In our view, this probably reflects overriding West European support for the concept of arms control as well as the preliminary nature of the data. We note the large number of "undecideds" as well as the particular inclination of Italians to see the program as a bargaining chip. [redacted]

#### Outlook

West European leaders have a major opportunity now to shape public attitudes on SDI as they formulate their national and editorial policies. Proponents are likely to stress the nonnuclear nature of SDI and its potential effectiveness against weapons of mass destruction. Opponents will attempt to shake initial public attitudes concerning the effect of SDI on regional stability, strategic coupling, and mutual deterrence. Of critical importance to both sides will be whether publics come to accept or reject the contention that SDI contributes to the arms control process. [redacted]

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## United Kingdom— United States: SDI Versus the “Special Relationship”

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The Strategic Defense Initiative (SDI) presents the British Government with foreign and defense policy dilemmas potentially more difficult than those facing the other Allies. Reactions to SDI among most opinion makers in the media and Parliament have been hostile, and senior Foreign Office officials have not disguised their doubts about the program. At the same time, Prime Minister Thatcher probably hopes the unique defense ties between London and Washington will give Britain an advantage in acquiring US technology, as well as more scope to influence the program. Thatcher is likely to support participation in SDI research, but she could encounter major differences with Washington as the program unfolds.

### Responding to SDI

The British appeared to be surprised by the vigor with which President Reagan advocated the program. Initial confusion came to an end when Thatcher met Gorbachev in London last December and worked out the four-point formula on space defense systems with President Reagan at Camp David later in the month.

Several leading British strategic analysts—including some informal government advisers—then argued that the Camp David statement was too vague and simply papered over British concerns over SDI. The press implied that Thatcher believed she had a guarantee from the President that deployment of space defenses would be subject to negotiation. One commentator in *The Times* said in late January that SDI had “scored its first hit: the President’s relationship with Mrs. Thatcher.”

### Sir Geoffrey Goes Public

Government spokesmen, on the other hand, kept their reserve, but the text of Foreign Secretary Sir Geoffrey Howe’s speech on 15 March indicated that considerable thinking had been done in private, at least in the Foreign Office. In an address to the prestigious Royal United Services Institute, Howe posed a series of rhetorical questions that

### Camp David Statement on SDI

1. *The US and Western aim is not to achieve superiority but to maintain balance, taking account of Soviet developments.*
2. *SDI-related deployment would, in view of treaty obligations, have to be a matter for negotiations.*
3. *The overall aim is to enhance and not to undermine deterrence.*
4. *East-West negotiation should aim to achieve security with reduced levels of offensive systems on both sides.*

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demonstrated doubts about the program’s cost, its implications for British nuclear forces, its impact on relations within the Alliance, and its effect on the Geneva arms talks. The Foreign Secretary warned against a “Maginot Line” mentality and made what seemed only perfunctory nods toward Soviet space defense research and the need for similar research by the United States.

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The British press, ever ready to find disputes between London and Washington, portrayed Howe’s speech as a “break” over SDI. Thatcher was quick to offer assurances that such was not the case, and Howe in subsequent comments said the West would not be divided on the issue.

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The tone of Howe’s speech, if not all his words, actually appeared to reflect Thatcher’s own views.<sup>1</sup> Howe, a Thatcher protege, would be unlikely to make any major pronouncement at odds with the Prime Minister. Moreover, political commentators with good access to Whitehall denied any split between

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Thatcher and Howe. [REDACTED]

With British views unmistakably on public record, if in a fashion more dramatic than Thatcher calculated, the government has generally kept quiet about SDI. Nevertheless, US Embassy reporting indicates considerable activity within Whitehall—and specifically between the Foreign Office and Paris and Bonn—about how to deal with SDI on a political and technological level. [REDACTED]

#### **Tensions in Whitehall**

We believe Thatcher's major problem on SDI is that the program poses precisely the kind of issue that could force London to make a choice between trans-Atlantic and continental priorities. This is the type of choice the British try to avoid, usually successfully. As long as SDI is in early stages of research, the British should have few problems; a breakthrough in technology, beginnings of feasibility testing, and the prospect of actual deployment, however, would present considerable difficulties. The bureaucratic lineup on SDI, in fact, demonstrates the different priorities. [REDACTED]

**Foreign and Commonwealth Office (FCO).** We believe the FCO will continue to urge caution in supporting SDI and press for reassurance of US willingness to negotiate before deployment. FCO officials have told US counterparts they are concerned that SDI could undercut public support for INF deployment and, more importantly, for a British national deterrent. Some bureaucratic pride is also involved. The FCO carried out a review of British relations with the Soviet Bloc last year, and we believe officials are worried that enthusiastic British support of SDI would jeopardize efforts to improve relations with the East bloc, including visits by Thatcher and Howe to Eastern Europe. Finally, we think many FCO officials are concerned that Washington expects more support from London on SDI than from other Allies, thus separating London from Paris and Bonn at a time when, according to Embassy reporting, the

FCO is happy with the trend in relations with the EC partners, especially with France. In order to avoid divergence, discreet FCO contacts with the French and West Germans reportedly are continuing.<sup>2</sup> [REDACTED]

**Defense Ministry.** Defense Secretary Heseltine, who has been publicly supportive of research, has the most complicated task in dealing with SDI. On the one hand, we think he shares Howe's concerns about the implications for arms control and East-West relations, especially if the ABM treaty is abrogated. Because the Trident SLBM program is the centerpiece of Tory defense policy, Heseltine is also conscious that opponents would use a space defense race to argue that Trident will be obsolete before completed in the 1990s. [REDACTED]

[REDACTED] and probably harbors doubts about Washington's willingness to share technology fully even with its closest allies. [REDACTED]

We believe, however, that the unique defense ties between the United States and the United Kingdom and the likely technological benefits of cooperation will continue to override doubts. The MOD has been quick to set up a special department to find areas for British research participation, and Heseltine probably calculates that if any ally has an advantage in sharing technology (and influencing US policy) it is the United Kingdom. We also think there is an element of coercion behind MOD support; [REDACTED]

[REDACTED] Heseltine may see little choice but to go along with SDI. In order to keep in step with FCO views and to minimize costs on the already strained defense budget, the Defense Secretary is apparently promoting a joint European approach to cost sharing, especially between the United Kingdom, West Germany, and France. Even if a satisfactory Allied approach cannot be formulated, we believe Heseltine will support the Prime Minister in arguing for US-UK cooperation in selected areas. [REDACTED]

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**Prime Minister Thatcher.** Prime Minister Thatcher's public comments on SDI research have been increasingly supportive in recent weeks. She undoubtedly realizes the United States will proceed with research in any case, especially since President Reagan is committed to the program. We believe Thatcher is satisfied that Howe's speech made Washington aware of British fears and that the Camp David formula will adequately project British interests. We think that, given her scientific background, Thatcher is probably interested in how space defense weapons would work. A British role in research also fits conveniently into Thatcher's scheme for a high-technology future for British industry. The Prime Minister in any case is probably convinced that her relationship with the President ensures that her views on SDI—and if necessary cautions—will carry weight. We believe that Thatcher regards her "success" at Camp David in winning endorsement of negotiations as an example of the viability of the "special relationship." [redacted]

#### **Tenuous Solidarity and Potential Problems**

We believe Thatcher, Howe, and Heseltine can maintain a united front on SDI that involves support for US research, British participation in research, and close consultations about the arms control and strategic implications of SDI. In particular, public adherence to the Camp David agreement should permit the British to urge Allied support for SDI and to counter opposition charges of following blindly the US lead. [redacted]

We believe, however, that problems may arise as SDI progresses. First, Thatcher's supportive rhetoric, by disguising the doubts raised in Foreign Secretary Howe's speech, could misrepresent the degree of British support. Similarly, there is a danger that Thatcher believes she has a US guarantee to negotiate over SDI, and that even research at a certain stage would be subject to review. [redacted]

SDI has also emerged as an issue at a time when the British are especially sensitive about nuclear weapons. The Labor opposition's support for unilateral nuclear disarmament has demonstrated that political consensus on whether the United Kingdom should have such weapons, let alone modernize them, has broken down. With the Trident system also controversial because of cost, Thatcher will be wary of

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#### **Technology Sharing and British Memories**

*The issue of sharing SDI technology could arouse British memories about the development of the atomic bomb in World War II. British studies of that episode uniformly claim that, despite assistance in developing the weapon, the British were cut off from technology by an act of Congress restricting access to nuclear data. The issue of who was at fault for "losing" Britain's place in nuclear weapons development became a domestic political issue in the early 1950s, and added a sometimes acerbic note to relations with the United States until full-scale cooperation was restored by President Eisenhower. Based on experience, we believe opponents of SDI will resurrect this story; as the constant references to the "lessons of Suez" during the Falklands war demonstrated, such historical memories still resonate with British politicians.* [redacted]

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any defense program that could threaten the rationale for Trident. She has already invested major political and financial capital in modernizing British nuclear forces, and any retreat would be a humiliation that the Labor opposition could use to undermine all British nuclear programs—and to blame the United States for forcing the action by "unilateral" action. Once again, the historical precedent of the 1962 Skybolt flap, when a US decision to cancel what seemed a marginal weapons system threatened to undercut the entire British nuclear program, illustrates the potential danger in trans-Atlantic misunderstanding on SDI. [redacted]

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Thatcher will also be under growing pressure to display the technological benefits from SDI. US Embassy reports describe growing British ire at restrictions on sensitive data, irritation made worse by the normal intimacy of US-UK relations. Any British expenditures on SDI would presumably have to include elements that visibly contribute to the UK's economic welfare as well as to security. Otherwise, the Labor Party will have more ammunition for charges that Britain does not benefit from close alignment with the United States. [redacted]

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## France: Institutional Change Under Mitterrand

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French Socialists have failed to carry out the sweeping institutional reforms that they promised when they won a massive presidential and legislative mandate in 1981. They have nationalized some industries, but other changes fall far short of revolutionizing institutions—most of all the government. Some attempts to change the system have failed; some have been severely watered down; others have merely continued policies begun under former President Giscard and even de Gaulle.

### Decentralization: The First Priority

The Mitterrand Government made decentralization the first order of business of the new Parliament,<sup>1</sup> partly in response to demands of local Socialist leaders who felt stymied by the national government and partly because opinion polls indicated that voters believed France had become overcentralized. But it was also ideological; many Socialists in the 1970s developed the conviction that, whether in the factory or in politics, socialism ought to push for greater self-management—more local control over local affairs.

Socialist legislation has partially dismantled the highly centralized administrative structure of the state and devolved power from the departmental and regional prefects to the local councils. Without restructuring local government, the decentralization legislation:

- Expanded substantially areas of self-management enjoyed by municipalities, departments, and regions.
- Redirected lines of authority, giving the departments control over some communal affairs and regional assemblies some oversight of both.
- Made elections to regional assemblies direct.
- Refined the system of revenue sharing between Paris and local governments.

<sup>1</sup> Although decentralization came first on the legislative agenda, Mitterrand's most significant reforms nationalized large parts of the French financial and industrial establishment. Nationalizations are analyzed in a number of EURA IAs and RPs.

The laws, of course, do not provide a picture of what is really happening. Numerous press reports and academic studies have pointed out that the Socialist decentralization is less revolutionary than touted. The government has been forced to backtrack on some reforms, while others do not represent dramatic change over past practice. Some reforms, moreover, have been severely watered down in practice.

The most significant example of backtracking is the controversial and aborted effort to redistribute local power in the city of Paris from the office of the mayor, where it was traditionally concentrated, to district councils. Conservatives charged partisan politics and orchestrated so much opposition that Mitterrand shelved the proposal.

Nor were the much-vaunted reforms in the prefectural system revolutionary. Although prefects certainly had more potential power in the past, they seldom used it as heavily as the reforms implied. According to local political officials cited in both the press and academic studies, moreover, the new officials—called commissioners—act pretty much like prefects. *Le Monde* suggested early in the decentralization crusade that the prefects had been made “to disappear in order to better reappear.”

Most tellingly, the Socialists have hesitated to turn over sufficient revenues to back up the increased authority of local governments, at least according to statements by many local officials. Mitterrand has tried to hold down tax increases, while boosting nationally administered programs—such as military modernization, job retraining, and industrial research and development. This has meant that Paris has had to retain revenues that might have been turned over to local governments. Meanwhile, locally controlled sources of revenue remain as limited as under previous governments, and shared revenues from Paris have lagged behind the transfer of responsibilities and functions.

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**The Media: Ending Government Dominance?**

In the presidential campaign, Mitterrand said specifically that his administration would eliminate government domination of broadcasting media and break up the private press monopolies—reforms that together would almost certainly have led to a major restructuring of French media.

In the meantime, however, Socialists acted with partisan zeal worthy of their rightist predecessors to bring the broadcasting media under greater leftist control. Mitterrand and his ministers persuaded media managers to resign and, with one or two exceptions, placed reliable Socialists at the helms. They also appointed Socialists to programing and management positions and ensured that leftist journalists found positions in the networks. Correct political or union credentials, rather than experience or competence, were often the basis for hiring or firing, according to the US Embassy. Under pressure from their junior coalition partners, Socialists also named Communists to journalistic and management positions in television and radio.

Other dramatic changes under the Socialists—such as private ownership of radio stations and cable television—result more from accommodation to new technologies than from direct efforts at reform. Socialists, for example, have touted their legislation to abolish the government's audiovisual monopoly. That monopoly, however, was already crumbling under assaults from pirate radio stations, satellite transmissions, and public rejection of boring government network programing.

**Newspaper Trustbusting.** Despite preelection pledges, it was two full years until Mitterrand offered legislation to enforce the 1944 statute against press monopolies. His bill required individuals and groups owning more than one national daily to divest and precluded ownership of both national and regional dailies. The legislation was clearly aimed at Robert Hersant, rightwing press baron and Socialist *bete noir*. Hersant's newspapers and magazines had attacked Socialist policies and Mitterrand personally with such persistence that it came as no surprise when he led the conservative charge against the bill, accusing the government of partisan motives and anti-press bias.

Debate on the bill made it obvious, even to the left, that the legislation threatened other press empires—especially that of the French Communist Party, then still the junior partner in the coalition. Almost no one objected, therefore, when the supreme court declared the law unconstitutional.

**Education: An Old Crusade**

In opposition, the left often charged that the essential injustice of French education was its restricted access, especially to the great training schools for the administrative elite. Important sections of the leftist constituency, notably the Socialist-affiliated National Federation of Teachers, also criticized the private school system (mostly Catholic) because it receives government aid but remains mostly insulated from direct government control. The left promised to “open” and secularize the schools.

Socialist attempts since 1981 to enact a number of reforms in the universities and schools have met stiff resistance, and those that have been pushed through have fallen far short of the mark. Professional schools and universities, for example, are ostensibly open to more applicants, but not as open as leftists had promised. The *grandes ecoles*—especially the prestigious National School of Administration (ENA)—have changed hardly at all.

Socialist attempts to bring private schools almost entirely under government control and—most important to the unions—to integrate parochial school teachers into the state civil service where they would have had to join unions have fizzled. These reforms provoked a massive protest among parents and teachers in private schools. Faced with extensive demonstrations, dwindling support even in the Socialist Party, and indications that the opposition was capitalizing on the “free school” issue, Mitterrand decided to compromise. He withdrew the bill and negotiated a face-saving settlement with opponents that amounted to almost no change.

**Electoral and Constitutional Changes**

Before the 1981 elections, Socialists also promised substantial changes in the Constitution and electoral system, but so far Mitterrand has done little to alter

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either. In 1980, for example, he vowed to amend the Constitution to reduce the presidential term from seven to five years and to institute proportional voting in national elections. Now, however, few Socialists will discuss reform of the presidential term, and a closer look at the implications of proportional representation has reportedly left many Socialists worried that such proposals could benefit the Communists and the extreme right National Front, without saving their own party's bacon in the 1986 legislative elections. Mitterrand, nevertheless, has introduced in the present session of the National Assembly a controversial bill to establish proportional representation at the departmental (state) level.

#### Outlook

Although we expect some further limited adjustments, we believe Mitterrand is now even less likely than in the past to initiate significant institutional reforms. In the near term, except for a battle over proportional representation, Socialists seem more interested in buttressing changes they have already enacted.

On other fronts, Mitterrand is likely to continue pursuing some modest objectives. His proposed electoral reform has sufficient support in the National Assembly to pass, but rightist opposition and some Socialist wavering may produce compromises. Press and US Embassy reports have already suggested, moreover, that Mitterrand's proposed electoral reform will not disrupt the political system as much as opponents have maintained.

The opposition has promised to roll back a number of Mitterrand's institutional reforms if it wins the 1986 legislative elections. Gaullist leaders have threatened substantial denationalizations, especially of financial institutions. Many of these threats are, in our view, exaggerated; French conservatives have long since come to terms with a heavy dose of government control of the economy. In any case, denationalization, as the British Conservatives have found, is easier to promise than to deliver.

The opposition is also unlikely to reverse decentralization because Mitterrand's reforms enjoy wide public support, even among conservatives. The right is more likely to attempt to repeal Mitterrand's

electoral reforms. With growing strains between Socialists and Communists reducing prospects for a leftist coalition, conservatives may calculate that their relative prospects can only improve by a return to winner-take-all elections.

#### Implications

Socialist exposure to the realities of government has forced the French left to jettison shopworn ideology and to adopt a more pragmatic attitude toward the problems of governing and management. The sobering impact of these failed attempts at institutional reform, together with the early economic failures, has apparently pushed France's non-Communist left toward the center of the political spectrum and has discredited extremist rhetoric within Socialist ranks.

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## **Economic News in Brief**

### **Eastern Europe**

**Czechoslovakia plans on substantially increasing sales of Zetor tractors to the United States beginning this year . . . sold well when introduced in 1984 . . . will probably succeed if they concentrate sales on the less competitive small tractor market.**

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**Polish Government scheduled to raise prices of meat and meat products by up to 15 percent in July . . . government trade unions demanding increased wages to compensate for the hikes, while Solidarity calling for a one-hour protest strike . . . some demonstrations likely.**

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